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SUBJECT: AFGHANISTAN: THE DYSFUNCTIONAL WORLD OF
PROVINCIAL BUDGETING AS SEEN FROM PANJSHIR PROVINCE

¶1. (SBU) SUMMARY: Panjshir, with its unrivaled security, has never been the object of &clear and hold8 operations by U.S. forces. Instead, the U.S. moved straight to "build," with the establishment of the Panjshir Provincial Reconstruction Team (PRT) in 2005. Today, 65 million dollars worth of projects later, PRT Panjshir is focused on strengthening the ability of local officials to administer their province more effectively, an effort complicated by those officials, ineffectual links to Kabul. Provincial officials, like their counterparts in other provinces, have failed to obtain sufficient resources from the central government to drive development in Panjshir, a problem only exacerbated by Afghanistan's still immature budget process. The result has been an over-reliance on the PRT. The PRT is working intensively with the provincial government to support capacity-building along with appropriate resource requests to Kabul ministries. End summary.

BUDGET COORDINATION NOT A REALITY ON THE GROUND

¶2. (U) Draft guidelines from the Afghan Ministry of Finance posit an organized system of budget coordination and consultation between the national and provincial levels, based on clear guidance and timelines. However, these guidelines have not been finalized and are not a reality on the ground. While line directors are generally satisfied with their Operations and Maintenance budgets, most say they are powerless to obtain adequate resources for development projects and programs. As a result, they turn first to the PRT to meet Panjshir's development needs. (Note: 100 percent of provincial line ministry development budgets throughout the country are ultimately donor-funded. End note.)

¶3. (U) As Ministry of Finance provincial representatives ("mostoufi") point out, provinces are not legal budget entities according to the Afghan constitution and thus have no budget authority. For their part, line directors at the provincial level submit project requests to their ministries in Kabul. At best, what they receive in return are earmarked allotments for specific projects and programs. At worst -- and all too often -- they receive nothing. In Panjshir, some provincial officials, including the directors of Environment, Social Affairs, Economy and Border and Tribal Affairs represent ministries with little project funding potential. Others, however, including the line directors of Health, Education, Power, Rural Rehabilitation and Development, Agriculture, Communications, Public Works and Religious Affairs, have at least the theoretical possibility of tapping resources from the central government. The Ministry of Mines also has this potential but is not currently represented at the level of line director in Panjshir.

WHAT HAPPENS IN KABUL STAYS IN KABUL

¶ 14. (SBU) Provincial line ministry officials complain that they have no visibility on the national budget process, including sometimes within their own ministries. This lack of information inhibits the development of rational development planning in the province. In the words of the Panjshir Province Executive Director, "How do we know what to spend if we don't know what's in our pockets?" The process by which some projects are funded and others are rejected is equally opaque. As a result, provincial officials are quick to suspect political favoritism, cronyism and corruption. Most take for granted that ministers such as the outgoing Minister of Energy and Water Ismail Khan favor their home regions. (Note: Khan is from Herat in the West. End Note.) Parliamentarians, too, are suspected of diverting projects to their home constituencies. Panjshir,s Director for the Ministry of Rural Rehabilitation and Development (MRRD) believes that ministries have too much latitude to allocate their appropriations between provinces, a situation he feels breeds corruption. Note: The manner in which ministries have been divvying up what development resources they may have for provinces has been unfathomable; the Ministry of Finance is moving towards a norms-based budgeting model which will allocate budgetary resources across provinces through set criteria. In addition, the draft sub-national governance policy proposes a "people's" development component which will provide some provincial say-so on how a portion of line ministry development funds for a particular province are spent. End Note.

¶ 15. (SBU) Governor Bahlol, an overt supporter of Dr.

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Abdullah, believes President Karzai,s government deliberately neglects Panjshir. According to Bahlol, one senior Kabul official told him he would like to fund construction of a sports facility in Panjshir, but "Karzai will fire me if I do that." In a perverse way, failure to obtain resources from Kabul can become a badge of honor for line directors who claim it as evidence of their fealty to Bahlol. Whatever the reasons, the mostoufi concurs that most line directors seem to have despaired of trying to obtain resources from Kabul and no longer take the process seriously; many fail to provide adequate justifications for their project submissions. Panjshir,s Irrigation Director told PRTOFF that he has proposed the same 19 flood wall and reservoir projects to his ministry for the last three years, each year dusting off the same old list and sending it back up his chain.

¶ 16. (SBU) Other provincial officials are having greater success in obtaining resources. The Education Director is implementing a new teacher training program and also has 32 Ministry of Education schools under construction in the province. However, the PRT has visited most of these schools and, unfortunately, found all of them in the same half-finished state, two years after construction began. The Director claims this is because funding comes from the World Bank in widely dispersed tranches. Panjshir,s new Director of Public Works recently obtained a \$20,000 allotment for winter snow removal on the main valley road (Comment: We have heard of several provinces receiving their snow-removal allocations. End comment). He is also overseeing work on a large retaining wall in Dara district, a project that reportedly owes its origins to the lobbying of Panjshir parliamentarian Judge Rahila Salim.

¶ 17. (SBU) Most remarkably, the Director of Agriculture claims that he has approval from his Ministry for 36 projects over the next three years totaling \$7-8 million. Additionally, the Ministry of Rural Rehabilitation and Development (MRRD) has some GIROA-funded projects underway, including improvements to the Aryu road. According to the Director, however, projects that ought to fall under his responsibility are instead being contracted out of Kabul and not coordinated

with him. For example, he learned about planned MRRD-funded improvements to the Abdullah Khel road not from his ministry but from the (non-Panjshir-based) company that won the contract. (Note: Under the current legal and regulatory framework, contracting is the responsibility of the central government. End Note.)

¶18. (SBU) Panjshir is one of only three provinces where, on an experimental basis, the Ministry of Public Health (MoPH), with World Bank help, deploys its own employees (rather than funds NGOs to do so) to provide health care. The province draws on funds from the World Bank's Strengthening Mechanism, a reliable budget stream for equipment and maintenance, though not new construction. the Director told PRT he is able to get "100 percent" of his requests approved through the Strengthening Mechanism. In contrast, he routinely comes up empty in his efforts to draw on resources from the Ministry's project budget for new construction. His main complaint, however, relates to hiring and procurement. Salaries for doctors are too low to attract qualified professionals to Panjshir and, while funding is available to hire midwives and buy medicine, obtaining the ministry's authorization to do so takes four or five months. Compounding this problem is the lack of liquidity -- even basic purchases require action by the provincial mostoufi.

TO PLEASE THE PRT, CREATE A PROVINCIAL DEVELOPMENT COUNCIL

¶19. (SBU) As in most provinces, there is no systematic provincial-level coordination of the requests that Panjshir line directors make to their respective ministries. Although the Governor signs off on each of these submissions, they are not regularly discussed in meetings of the Provincial Development Council (PDC). Asked what the PDC is for if not to coordinate provincial government requests for development projects, Panjshir,s mostoufi offered the intriguing -- and somewhat depressing -- explanation that the PDC exists in order to identify projects requiring support from international donors.

¶10. (SBU) The provincial Executive Director made an equally revealing comment during a discussion of last year's Good Performers, Initiative (GPI) counternarcotics funds for Panjshir, \$400,000 of which remains unspent. He lamented

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that the Counternarcotics Ministry wants the provincial government to submit new prioritized proposals for spending the \$400,000. Why, he wondered, cannot the Ministry just choose some projects left over from last year's list -- that way, the Ministry, rather than the provincial government, would take the heat from Panjshir,s communities for any proposals on the list that fail to make the cut. PRT Director responded by noting that the provincial government, not the central government or the PRT, is best-placed to determine Panjshir,s present needs, and has an obligation to make the tough decisions and trade-offs.

¶11. (U) UNAMA, with support from the PRT, is working with the provincial government to improve the province's PDC process. UNAMA will convene a three-day workshop in January aimed at mentoring provincial officials toward updating the Provincial Development Plan (PDP) in consultation with district and community leaders. The PRT is working closely with UNAMA to ensure that this updated PDP is oriented not only toward the PRT and other international donors, but to obtaining direct GIRoA resources. The PRT continues to make the point that Panjshir needs a single development planning process that places Afghans firmly in the lead in identifying and addressing the province's development needs.

¶12. (U) Meanwhile, the PRT is also working intensively with individual line directors to gain visibility on their resource requests to Kabul ministries. In some cases, the PRT is encouraging line directors to expand their requests to

ensure that the PRT is not delivering services that GIRoA has the capacity to deliver itself. Governor Bahlol has instructed all provincial line directors to share their requests with the PRT. Unfortunately, there seems to be no common understanding of what the ministry deadlines are. Some line directors tell us their annual requests are due this month, while others say the deadline is February, and still others say there is no deadline at all. Whatever the case, the PRT is encouraging them to move forward without delay.

COMMENT

¶13. (SBU) PRT Panjshir is focusing intensively on good governance, not because governance is any worse here than in other provinces -- in fact, we believe it to be better than in most -- but because Panjshir's unrivaled security situation gives us the luxury of doing so. Unlike some of its counterparts elsewhere in the country, Panjshir's provincial government appears to have the staff and technical capacity to deliver more effective services to the people of Panjshir. Unfortunately, it faces the same challenge as other provinces in drawing greater resources from ministries in Kabul. The provincial government will no doubt benefit from the additional civil service training planned for Panjshir. Where bottlenecks and anomalies come to the surface, PRT Panjshir will make use of the Embassy's new Sub-National Governance Consultative Group to channel questions to those at the Embassy with the best lines into the ministry concerned to get a coherent answer.

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